Money and Banking, Fall 2011

Economics 320

Lecturer: Dr. Niklas Hunter

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Office hours: T/R 3:00 - 4:15pm

Class time: Class location:

M/W 3:00-4:15pm Bell Tower 1422

Mid-term exam: Wednesday, Oct. 19 (in class)

Final exam: Monday, Dec.12, 4:00 – 6:00 pm

Course website: <http://csuci.blackboard.com>

Required reading: The Economics of Money, Banking and Financial Markets by Frederic S. Mishkin (9th edition, Pearson, Addison, Wesley, 2009).

Grading system:

Your grade for the course is based on homework and exams in the following way:

|  |  |
| --- | --- |
| Task | Percent of grade |
| Homework assignments | 15 |
| Group Presentations | 10 |
| Midterm exam  Final exam | 35  40 |

Grades for total points from the homework and exams will be assigned according to the following distribution:

90%-100%: A-, A, A+

80%-89%: B-, B, B+

70%-79%: C-, C, C+

60%-69%: D-, D, D+

0%- 59%: F

I may also adjust the scores to account for the difficulty of the exams. For example, if few people get a final score above 90% because of difficult exams, then I will give out more As to account for difficultly of the exams. In this case, I typically assign a median (midpoint) grade in between a C+ and a B-.

Exams:

There will be no make-up exams, so if you can not attend class on the day of the midterm or the final exam, please do not enroll in this course.

The mid-term exam will cover all material up through the preceding lecture. The final exam questions will be drawn almost exclusively from material presented after the midterm. The exams will include both multiple choice and short answer questions based on the lecture notes and assigned reading.

Homework assignments:

There are six homework assignments that typically consist of 15 multiple choice questions drawn from the same test bank I use for the exams. Homework assignments must be turned before lecture begins on the specified dates of the course schedule. Late homework will not be accepted. I will, however, drop the lowest score. As such, please do not be concerned about the effect on your course grade of missing a single homework. I understand that over the course of 16 weeks, unexpected events can occur (illness, work, family issues), and dropping your lowest homework score is my way of accounting for these events. Unless instructed otherwise, the homework assignments must be turned in via blackboard on the assignments tab. Please do not use the digital dropbox. If you are new to blackboard, please don’t be concerned about this technical issue. I will provide a brief tutorial on how to download an assignment from blackboard and how to turn it in via blackboard as well.

Group Presentations:

Students should form a group of up to 3 members and select a single chapter from the list on the course schedule. Each group will present review session material for either the midterm or the final exam. Your groups’ presentation will occur in lecture on either October 17th (the lecture before the midterm) or on Dec 7th (the lecture before the final exam). The presentation should be approximately 10-15 minutes, and should include visual aids. Which date you present (Oct 17th or Dec 7th) depends on the chapter your group selects. The chapters are available on a first come- first serve basis. The presentation is mandatory, and the group members and the chapter must be selected by Sept. 14th. Past examples include Jeopardy style games, PowerPoint presentations with a pop quiz, Water pong, crossword puzzles, and movies (to name a few). Be creative. Have fun. Learning is so much easier when you enjoy it. The idea for this presentation is for you (and your group members) to become experts on your selected chapter, and help your classmates prepare for the associated exam by presenting the material in an interactive method.

Course Overview:

This course provides a thorough overview of financial institutions and monetary policy in the US. We will consider the effect of money, interest rates, and bonds on various economic indicators. Other major topics include: the importance of regulating the banking system, the tools of monetary policy, and the major contributing factors to the most recent financial crisis. Note, the material from chapters 4 and 5 is essentially “Present Value” (i.e. the time value of money). If you have previously taken a finance course, this material should be a quick review.

This course material is composed from a mix of both economic theory and applications.. The theory is intended to give you a methodical way to grasp the mechanics of the banking system as a whole, while the applications are intended to assist you in making sound financial decisions.

Learning objectives: At the end of this course, students should be able:

• to define money and to understand its use

• to calculate interest rates for simple present value equations.

• to predict how interest rates change in response to various changes in the economy

• to explain how banks use a balance sheet

• to understand the importance of regulations in the banking system

• to explain the various functions and roles of the Federal Reserve

• to explain how banks create money without actually printing currency

• to predict how monetary policy influences inflation, production and employment

Cheating:

Don't cheat. Any case of cheating, including looking at another student’s test booklet while taking an exam will be referred to Judicial Affairs. Working with fellow students on homework assignments, however, is not cheating and is encouraged.

# Disability Accommodations:

# *Cal State Channel Islands is committed to equal educational opportunities for qualified students with disabilities in compliance with Section 504 of the Federal Rehabilitation Act of 1973 and the Americans with Disabilities Act (ADA) of 1990. The mission of Disability Accommodation Services is to assist students with disabilities to realize their academic and personal potential. Students with physical, learning, or other disabilities are encouraged to contact the Disability Accommodation Services office at (805) 437-8510 for personal assistance and accommodations.*

Regarding the Wednesday lecture before Thanksgiving: The bad news: I cannot treat the Wednesday Nov 23rd as a holiday, despite its proximity to Thanksgiving. Thus, I will be holding lecture on Wednesday Nov. 23rd. The good news: I will not teach any new material on this date. Therefore, you may decide whether attending the lecture or not is the best choice given your travel needs. Essentially, I will be in class to go over any previously discussed material (i.e. office hours held during lecture time in class). As such, I did not include a lecture date, topic and chapter for Wednesday Nov 23rd on the course schedule (see next page).

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| **Date** | **Lecture topic** | **Textbook reading** | **HW Due** |
| 29 Aug. | Why study money, banking, and the financial markets | Chapter 1 |  |
| 31 Aug. | An overview of the financial system | Chapter 2 |  |
| 7 Sept | An overview of the financial system | Chapter 2 |  |
| 8 Sept. | What is money? | Chapter 3 | HW1 |
| 12 Sept. | Understanding interest rates | Chapter 4 |  |
| 14 Sept. | Understanding interest rates | Chapter 4 |  |
| 19 Sept. | The behavior of interest rates | Chapter 5 |  |
| 21 Sept. | An Economic Analysis of Financial Structure | Chapter 8 | HW2 |
| 26 Sept. | Financial Crisis Chapter 9 | | |  |
| 28 Sept. | Financial Crisis and the Subprime Meltdown | Chapter 9 |  |
| 3 Oct. | Banking and the Management of Financial Institutions | Chapter 10 |  |
| 5 Oct. | Banking and the Management of Financial Institutions | Chapter 10 |  |
| 10 Oct. | Economic Analysis of Financial Regulation | Chapter 11 | HW3 |
| 12 Oct. | Economic Analysis of Financial Regulation | Chapter 11 |  |
| 17 Oct. | Group Presentations/Review Session | Chapters 1, 2, 3, 4, 5, 8, 9, 10 and 11 |  |
| 19 Oct. | **Midterm** | **Chapters 1, 2, 3, 4, 5, 9, 10 and 11** |  |
| 24 Oct. | Banking Industry: Structure and Competition | Chapter 12 |  |
| 26 Oct. | Banking Industry Chapter 12 | | |  |  |
| 31 Oct.. | Central Banks and the Federal Reserve System | Chapter 13 | HW4 |
| 2 Nov. | The Money Supply Process | Chapter 14 |  |
| 7 Nov. | The Money Supply Process | Chapter 14 |  |
| 9 Nov. | Tools of Monetary Policy | Chapter 15 |  |
| 14 Nov. | Tools of Monetary Policy | Chapter 15 | HW5 |
| 16 Nov. | The Conduct of Monetary Policy: Strategy & Tactics | Chapter 16 |  |
| 21 Nov. | The Conduct of Monetary Policy: Strategy & Tactics | Chapter 16 |  |
| 28 Nov. | Aggregate Demand & Supply Analysis | Chapter 22 |  |
| 30 Nov. | Aggregate Demand & Supply Analysis | Chapter 22 |  |
| 5 Dec. | Money & Inflation | Chapter 24 | HW6 |
| 7 Dec | Group Presentations/ Review Session Chapters 12, 13, 14, 15, 16, 22 and 24 | | |
| 12 Dec. | **Final Exam, 4:00-6:00pm Chapters 12, 13, 14, 15, 16, 22 and 24** | | |

***This schedule is subject to possible changes.***